

106TH CONGRESS
1ST SESSION

S. 1455

To enhance protections against fraud in the offering of financial assistance
for college education, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 28, 1999

Mr. ABRAHAM (for himself and Mr. FEINGOLD) introduced the following bill;
which was read twice and referred to the Committee on the Judiciary

A BILL

To enhance protections against fraud in the offering of financial assistance for college education, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “College Scholarship
5 Fraud Prevention Act of 1999”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) A substantial amount of fraud occurs in the
9 offering of college education financial assistance
10 services to consumers.

1 (2) Such fraud includes the following:

2 (A) Misrepresentations regarding the pro-
3 vision of sources from which consumers may ob-
4 tain financial assistance (including scholarships,
5 grants, loans, tuition, awards, and other assist-
6 ance) for purposes of financing a college edu-
7 cation.

8 (B) Misrepresentations regarding the pro-
9 vision of portfolios of such assistance tailored to
10 the needs of specific consumers.

11 (C) Misrepresentations regarding the pre-
12 selection of students as eligible to receive such
13 assistance.

14 (D) Misrepresentations that such assist-
15 ance will be provided to consumers who pur-
16 chase specified services from specified entities.

17 (E) Misrepresentations regarding the busi-
18 ness relationships between particular entities
19 and entities that award or may award such as-
20 sistance.

21 (F) Misrepresentations regarding refunds
22 of processing fees if consumers are not provided
23 specified amounts of such assistance, and other
24 misrepresentations regarding refunds.

1 **SEC. 3. ENHANCED CRIMINAL PENALTIES FOR COLLEGE**
 2 **EDUCATION FINANCIAL SERVICE ASSIST-**
 3 **ANCE FRAUD.**

4 (a) ENHANCED PENALTIES.—Chapter 63 of title 18,
 5 United States Code, is amended by adding at the end the
 6 following:

7 **“§ 1348. Enhanced penalties for college education fi-**
 8 **nancial service assistance fraud**

9 “(a) IN GENERAL.—A person who is convicted of an
 10 offense under section 1341, 1342, or 1343 of this title
 11 in connection with the obtaining or providing of any schol-
 12 arship, grant, loan, tuition, discount, award, or other fi-
 13 nancial assistance for purposes of financing an education
 14 at an institution of higher education shall be fined under
 15 this title, imprisoned not more than 10 years, or both.

16 “(b) OTHER PENALTIES.—Any penalties imposed
 17 under this section shall be in addition to any penalties
 18 under any of the sections referred to in subsection (a).

19 “(c) INSTITUTION OF HIGHER EDUCATION DE-
 20 FINED.—In this section, the term ‘institution of higher
 21 education’ has the meaning given that term in section 101
 22 of the Higher Education Act of 1965 (20 U.S.C. 1001).”.

23 (b) CLERICAL AMENDMENT.—The table of sections
 24 at the beginning of that chapter is amended by adding
 25 at the end the following:

“1348. Enhanced penalties for college education financial service assistance fraud.”.

1 **SEC. 4. EXCLUSION OF DEBTS RELATING TO COLLEGE FI-**
 2 **NANCIAL ASSISTANCE SERVICES FRAUD**
 3 **FROM PERMISSIBLE EXEMPTIONS OF PROP-**
 4 **ERTY FROM ESTATES IN BANKRUPTCY.**

5 Section 522(c) of title 11, United States Code, is
 6 amended—

7 (1) by striking “or” at the end of paragraph
 8 (2);

9 (2) by striking the period at the end of para-
 10 graph (3) and inserting “; or”; and

11 (3) by adding at the end the following:

12 “(4) a debt in connection with fraud in the ob-
 13 taining or providing of any scholarship, grant, loan,
 14 tuition, discount, award, or other financial assist-
 15 ance for purposes of financing an education at an
 16 institution of higher education (as that term is de-
 17 fined in section 101 of the Higher Education Act of
 18 1954 (20 U.S.C. 1001)).”.

19 **SEC. 5. LIST OF BUSINESSES AND ORGANIZATIONS OFFER-**
 20 **ING COLLEGE EDUCATION FINANCIAL AS-**
 21 **SISTANCE SERVICES.**

22 (a) LIST.—The Secretary of Education shall main-
 23 tain on the Internet web site of the Department of Edu-
 24 cation a web page that—

1 (1) lists businesses and organizations that offer
2 financial assistance (including scholarships, grants,
3 loans, tuition, awards, and other assistance) for pur-
4 poses of financing an education at institutions of
5 higher education; and

6 (2) provides the Internet web site address of
7 such businesses and organizations.

8 (b) APPLICATION FOR PLACEMENT ON THE LIST.—

9 A business or organization may apply to the Secretary of
10 Education for placement on the list.

11 (c) CONSULTATION.—The Secretary of Education
12 shall consult with the Chairman of the Federal Trade
13 Commission in an effort to ensure that a business or orga-
14 nization applying for placement on the list is a legitimate
15 business or organization.

16 (d) INELIGIBILITY.—A business or organization shall
17 not be listed on the page if—

18 (1) the business or organization was prosecuted
19 by the Federal Trade Commission and convicted of
20 using an unfair or deceptive act or practice under
21 the Federal Trade Commission Act (15 U.S.C. 41 et
22 seq.) during the 5-year period preceding the submis-
23 sion of an application under subsection (b);

24 (2) the business or organization is operated by
25 an individual who operated a business or organiza-

1 tion that was prosecuted by the Federal Trade Com-
2 mission and convicted of using an unfair or decep-
3 tive act or practice under such Act during the 5-year
4 period preceding the submission of an application
5 under subsection (b);

6 (3) the Department of Education receives a sig-
7 nificant number of complaints, as determined by the
8 Secretary of Education, from students alleging the
9 business or organization has not in good faith deliv-
10 ered on promises made by the business or organiza-
11 tion; or

12 (4) the business or organization is under inves-
13 tigation by the Federal Trade Commission.

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